



25 June 2023

About COP

Copenhagen Offshore Partners leads offshore wind project origination, development and construction in new and established markets around the world. Founded in 2015, it is an exclusive global offshore wind development partner to Copenhagen Infrastructure Partners.

Since its founding, COP's team has grown exponentially, from Asia Pacific to Europe and the Americas. It continues to move first into new offshore wind markets and is leading the advancement of innovative offshore wind technologies.

This momentum translates into market-leading projects such as the Changfang & Xidao projects which will power approximately 650,000 Taiwanese households and the Vineyard Wind 1 project which will be the first commercial scale offshore wind farm in the United States.

In the UK COP has significant interests in developing a commercialisation blueprint for floating offshore wind, through its Pentland Floating Offshore Wind project and the Ossian Floating Offshore Wind project, together with SSE and Marubeni Corporation. More than one third of COP's development portfolio is focused on the advancement and commercialization of floating offshore wind projects. Beyond offshore wind, COP is building out PtX and other system integration capabilities that are accelerating the energy transition.

COP is grateful to Ofgem for the opportunity to submit this response to its consultation on the Early-Stage Assessment for Anticipatory Investment.

Response summary

COP supports the objective of the Offshore Transmission Network Review (OTNR) to deliver future connections for offshore wind in a more coordinated way, whilst ensuring an appropriate balance between environmental, social, and economic costs and wider considerations.

For the OTNR to enable and support the achievement of the ambitious targets set by both UK and Scottish governments – respectively, 50GW (including 5GW floating) and 11GW by 2030 – we encourage Ofgem to adopt a pragmatic mindset in addressing the challenges of offshore coordination and to provide developers with the certainty they need to commit unprecedented levels of investment.

Some of the proposals included in Ofgem's consultation represent a welcome step forward towards providing this certainty, but others will require detailed iteration to give developers sufficient confidence to undertake AI. The main issue remains the detail around allocation of risk not only related to delays, but if subsequent "later" projects do not materialise.

Linked to this are the criteria which will be used to determine what parts or portions of the proposed shared infrastructure will be considered AI and how to ensure these definitions are applied consistently for different ESA applications, particularly where proposed offshore networks are complex.

The key areas where COP believes more information will be required to deliver a suitable regulatory framework for AI are as follows:

- Factor in 'no show' scenarios for both initial and later users' projects, and how liabilities for the original ESA application will subsequently apply. (This should extend to developing scenario 'library' which should capture case precedent and apply to subsequent applications – i.e., dealing with 'unknown unknowns')
- Dealing with exchange of commercially sensitive information between competing developers (to the extent AI strategy is a predictor of CfD strategy, opening up the potential for AI framework to be 'gamed')
- Detail around handling ESA applications deviating from HND, where there is disagreement regarding what constitutes a materially superior outcome – and swiftly being able to resolve these conflicts.

- Clarify the applicability of the proposals included in Ofgem's consultation to projects involving one or more TOs alongside offshore wind developers.
- Consider whether the existing cost assessment approach for radial connections (underpinned by a benchmarking exercise) is relevant to FOAK (highly coordinated) offshore transmission projects, or whether a new cost assessment approach is required.
- Establish a formal process to resolve situations where initial and relevant later users fail to reach an agreement on the content of the initial user's ESA submission (and that all parties accept the adjudication of such a process)
- Increase the 5% cost threshold to reflect the significant uncertainties facing early-stage projects.

Question responses

Question 1: Do you agree that the later user should assume responsibility for the construction of the coordinated solution should the initial user become delayed?

In principle, COP agrees that the later user should assume responsibility and that this should be the preferred approach.

However, given the difficulty potentially co-operative partners may face in agreeing transfer of liabilities (e.g., would charges be fixed at the point of agreement or not, or would there be an option to fix - given the unique cost / risk / supply chain exposures each project will face?), COP would also suggest that consideration should be given to a parallel 'OFTO of last resort' model (or equivalent).

Such an approach could provide an option for the AI and assets of the 'initial' user to be passed to an OFTO rather than forced to be undertaken by the 'later' user. The initial user would therefore either take it on themselves, trigger OFTO build for just the initial element, or if neither option was viable, then National Grid or relevant TO would step in.

This would provide an alternative route for necessary reinforcement to come forward. An absence of such redundancy in the regulatory model could discourage investment and dent confidence.

COP also acknowledges the difficulty in regulating for what will be FOAK connection assets and that no two scenarios will be the same. A delay for the initial user may only be one of many scenarios which could emerge – e.g., it's possible that the initial user does not proceed at all or increases in size and scope, triggering requirement for an additional circuit, etc.

This could have significant implications for the later user(s) if they are asked to pick up the initial user's original ESA application. COP believes that the second user should have the flexibility to change the infrastructure expected to be delivered by the first user (which may also include location of infrastructure). This flexibility should also apply to changing the cost figure agreed in principle by the first user and Ofgem.

In addition, COP suggests that there should be some recourse to mediation if the applicant is unable to provide a letter with acknowledgment of agreement with the later user. In this case, the applicant should provide an explanation as to why agreement could not be reached (or this could be submitted with agreement of all parties), together with any supporting documentation that the applicant(s) considers relevant. Then, Ofgem should act as a mediator and provide further information about the process to follow in such cases.

Ofgem or the ESO should also act as a central holder of relevant project information to minimise direct sharing of confidential information between developers, in order to preserve a level playing field between competing projects (for example, in CfD auctions and supply chain procurement).

Question 2: Do you have any views on the Draft Early-Stage Assessment Guidance Document?

COP is broadly supportive of the intent of the guidance document and appreciates that until this framework collides with reality it will be difficult to gauge its suitability.

COP does not have substantive comments on the eligibility criteria other than to suggest that some projects could have a lease without an agreement in place - so the criteria should stipulate a lease or agreement for lease. COP would also note that the guidance document does not delve into the potential range of scenarios which would define the 'later user' and would therefore emphasise the likelihood that there may be multiple 'later' users, not all of whom will be generators.

In terms of the definition of AI itself, COP would highlight the possibility that one developer owns both initial and later user projects, i.e., if the initial user is making 'AI' for the later project, how is that construed for AI purposes if both projects are owned by the same developer (i.e., second phase of the same project? This is a conceivable situation for the Celtic Sea whereby TCE has stated that it's possible one developer could take 2GW forwards. It would therefore be helpful to understand whether AI for 'project 1' could be ringfenced, thereby minimising risk.

Regarding the Cost Benefit Analysis (CBA), the options analysis, and the qualitative benefits, we think it is sensible that these are only required if projects deviate from the HNDfUE design. However, a definition to understand what constitutes 'deviation from the HNDfUE design' is needed (again COP appreciates that within this there will be many 'unknown unknowns').

As noted in its response summary above, COP would emphasise the critical importance of commercially sensitive information being accessible for purposes of assessing the applicant's bid without it being subsequently compromised. Co-operative parties will be simultaneously competitive in the market – e.g., for future CfD auctions, and the level of detail required in the ESA is sensitive information that developers will not want to share with others.

Question 3: Do you have any views on what should constitute material change for projects?

COP believes Ofgem should be flexible in its approach to considering material change definition since the FOAK nature of both the generation and connection profiles of participating projects will inevitably mean that material change is routine. A balance is required between retaining allowable costs with reference to meeting environmental, social and consumer goals, while ensuring the process does not become mired in complexity where projects find themselves caught in over-lapping ESA processes.

Question 4: Do you agree with Ofgem's proposed approach to projects which experience material change?

According to Ofgem the threshold for material change will be considered against the potential impact on the needs case and consumer benefits on a project-by-project basis and the determination for one project should not be considered the threshold of materiality for future projects. We think this approach lacks detail and does not provide certainty to understand when and how developers will be subject to a new ESA, and within what timescale.

Question 5: Do you agree with Ofgem's proposed approach to cost disallowances in Anticipatory Investment?

The guidance document states that in the cost assessment, Ofgem will use the principles currently used for offshore transmission cost reviews, which means that Ofgem will compare the applicant's cost submissions with costs from other transmission projects they have assessed.

However, at time of writing, there are no other projects that have delivered coordinated infrastructure, so it is not possible to benchmark these projects against other similar developments.



Similarly, HVDC projects that will be delivered under HND design are not comparable with previous developments because these assets have not been built in the past. In general, HVDC projects should not be penalised more than HVAC projects. The supply chain for HVDC is limited and HVDC lines are necessary to transport electricity across long distances.

Regarding the cost disallowance, COP believes that a 5% allowance for any unforeseen increase is too low considering the early stage of development of projects. Developers will not have a clear cost figure until they are in an advanced stage of development. It may be therefore advisable for Ofgem to consider the cost allowance threshold in the round and on a case-by-case basis.

COP also questions the proposal to impose underspend thresholds. At least initially, it would be beneficial to make a virtue of underspent projects delivering for consumer, unless there is a more compelling argument for limiting unforeseen underspend.